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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

February 27, 1998

97-250

VIA MESSENGER

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Aliant Communications Co.
Tariffs Implementing Access Charge Reform

Dear Ms. Salas:

Aliant Communications Co. ("Aliant"), by its attorneys, hereby submits its Direct Case in the Tariffs Implementing Access Charge Reform proceeding pursuant to the Commission's recent request.[1] This filing is being distributed as follows:

Secretary's Office:	Cover letter Direct Case (six copies) Exhibits 1-11 (six copies)
ITS:	Cover letter Direct Case Exhibits 1-11
Judy Nitsche:	Cover letter Direct Case Exhibits 1-11

1 *Order Designating Issues for Investigation and Order on Reconsideration*, DA 98-151 (rel. January 28, 1998).

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Vienna Jordan:	Cover letter Direct Case Exhibits 1-11
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All correspondence or questions in connection with this filing should be addressed to the undersigned.

Respectfully submitted,

Robert A. Mazer

Robert A. Mazer
Counsel for Aliant Communications Co.

Enclosures

cc: ITS
Judy Nitsche
Vienna Jordan
Public Reference Room

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Tariffs Implementing	)	CC Docket No. 97-250
Access Charge Reform	)	
	)	

DIRECT CASE

I. INTRODUCTION

Aliant Communications Co. ("Aliant"), by its attorneys, hereby files its direct case in response to the Federal Communications Commission's Order Designating Issues for Investigation and Order on Reconsideration ("Order") in the above-captioned proceeding.[1] Aliant responds only to those paragraphs that are applicable to Aliant. Aliant's responses can be found on the pages and exhibits that follow.

II. RESPONSES TO ISSUES DESIGNATED FOR INVESTIGATION

A. Common Line Issues

1. Non-Primary Residential Line Issues

Aliant's definition is based on one of the two definitions, "by account" or "by account, by premise," as accepted by the Commission. As stated in Aliant's Reply Comments filed on December 29, 1997, Aliant chose to implement a definition for non-primary lines based on "by account, by premise."[2] Aliant's End-User Common Line (EUCL)/Presubscribed Interexchange Carrier Charge (PICC) demand was then calculated based on the definition chosen. Aliant's EUCL demand is

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1 *Order Designating Issues for Investigation and Order on Reconsideration,* DA 98-151 (rel. January 28, 1998).

2 *See* Reply Comments of Aliant Communications Co. in *Aliant Communications Co. Tariff F.C.C. No. 1*, Transmittal No. 10 dated December 29, 1997 at 5; *See also* Aliant Communications Co. Tariff F.C.C. No. 1, 1st Revised Page 121 and 1st Revised Page 123 (Transmittal No. 10 dated December 29, 1997).

equivalent to Aliant's PICC demand. Based on the above, and until such time as the Commission prescribes a definition, Aliant's definition and EUCL/PICC demand is presumed reasonable.

Aliant filed the following demand counts:

Primary Residential Lines	2,075,620
Non-Primary Residential Lines	99,713
Single-Line Business Lines	98,914
BRI ISDN Lines	N/A[3]

Exhibits 1 and 2 to this filing detail the methodology Aliant used in determining line counts.

B. Methodology for Calculating Exogenous Cost Changes for Line Ports and End Office Trunk Ports

Requiring the use of actual basket earnings to calculate revenue requirements when splitting a single rate into multiple rates seems equitable, especially when all affected rates remain within the same price cap basket. However, this methodology may defeat the original intent of price cap regulation, especially when applied between baskets. Price cap regulation was established to allow for pricing flexibility and to allow rewards for productivity gains. Requiring the use of actual basket earnings for the calculation of exogenous changes may cause harm to the pricing guidelines established by a company in response to market analysis and competitive forces. Requiring a company to set rates higher than it would have under rate of return regulation may force it to set rates higher than necessary in order to compete. Additionally, a company may be forced to set rates low enough to compete, but it will lose the benefits it was able to gain under its old rate structure and will be forced to transfer under a basket earnings scenario. In the alternative, a company may have to set a particular rate low enough to compete, but under new pricing schemes and basket earnings

3 Aliant did not offer ISDN BRI service during the 1996 base period.

restructuring, the company may be forced to set rates lower than it would have over time under price cap regulation.

Exhibit 3 quantifies Aliant's exogenous changes required by the Access Charge Reform Order[4] using revenues as the basis for reallocation. Exhibit 4 lists Aliant's exogenous changes while under Price Cap regulation, which had the purpose of reallocating costs among baskets, categories, rate elements, or between price cap and non-price cap services.

Aliant agrees with the Commission's conclusion that any recalculation of the Base Factor Portion ("BFP") should still be calculated pursuant to fully-distributed embedded costs and revenue requirements. Regardless if other calculations or redistributions are based on revenues or revenue requirements, rates recovering BFP costs have been based on fully-distributed embedded costs and revenue requirements, calculated outside the realm of price cap algorithms and indices.

C. Transport Adjustment Issues

1. Whether Price Cap LECs Are Attributing Too Large a Fraction of the Tandem Switching RRQ to SS7 Costs

Aliant deducted its STP port costs from the STP/SS7 revenue requirement because Aliant's STP port costs were being recovered outside the TIC.

2. Whether Price Cap LECs Made the Proper COE Maintenance and Marketing Cost Adjustment to the TIC

These dollar effects were measured at 1996 base period level of operations. The revenue requirements were calculated using data from Aliant's 1996 quarterly Part 36 and Part 69 cost

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4 CC Docket No. 96-262, et. al., *First Report and Order*, FCC 97-158 (rel. May 16, 1997); *Errata* (rel. June 4, 1997); *Order on Reconsideration*, 12 FCC Rcd 10119 (rel. July 10, 1997); *Order on Reconsideration*, FCC 97-368 (rel. Oct. 9, 1997).

studies, modified for changes pursuant to FCC regulations. These changes include the allocation of Other Billing & Collection expenses as stipulated on February 3, 1997 by the Commission in its Report and Order in CC Docket No. 80-286.[5] Aliant also reflected the change in the Commission's regulations governing the removal of pay telephone set costs from interstate rates. These studies used an 11.25% rate of return. For discussion purposes, Aliant will refer to these studies as the Access Reform Base Studies ("ARBS").

Aliant calculated the exogenous change for COE maintenance expenses by applying the new allocation rules for such expenses to the ARBS. The reallocation of expenses is demonstrated in Exhibit 5. This Exhibit shows data from Aliant's first quarter interstate Part 69 cost study. Page 1 of Exhibit 5 shows the interstate allocation of Aliant's COE investment. Page 2 of Exhibit 5 shows the allocation of COE maintenance expenses. Line 11 shows the allocation of expenses using total COE investment as required by previous rules. Lines 12-15 demonstrate the allocation methodology of the new rules. Lines 16-18 of Exhibit 5 shows the difference in expense dollars between the two sets of rules. The relationship among investments and expenses are similar in Aliant's second through fourth quarter cost studies.

Exhibit 6 shows the effect of the new allocation rules for COE maintenance expenses on the total revenue requirement. The changes to Aliant's interstate access charge rates are shown in columns (c), (d), (e), and (f). Columns (b), (g), (i), and (j) are displayed to demonstrate the total effect on Aliant's interstate Part 69 cost studies.

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5 *Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board*, 12 FCC Rcd 2679 (1997) (recon. pending).

As demonstrated in Exhibit 5, Aliant's switching maintenance expenses are significantly higher than its other COE maintenance expenses. The new allocation rules will, therefore, shift more expenses to those rates recovering switching investments and functionality. Since 80% of the tandem switch has been allocated to the Transport Interconnection Charge ("TIC"), Aliant has targeted 80% of the exogenous change associated with the tandem switch to the TIC. The undesignated trunking exogenous change has been distributed to all rates in the trunking basket.

Aliant calculated the exogenous change for marketing expenses by applying the new allocation rules for such expenses to the ARBS. In order to do this, Aliant reallocated all marketing expenses previously allocated to common line, transport, and traffic sensitive to the new marketing basket. Part 69 studies were then performed to generate a revenue requirement for the marketing basket. The resultant revenue requirements and changes from original ARBS studies are shown in Exhibit 7. The changes shown in Column (e), Trunking, represent the change in Transport. The change to Special Access was zero.

Once identified by basket, the marketing exogenous changes were targeted to switching elements based on the distribution of revenues. This is shown in Exhibit 8. As demonstrated, of the $239,572 marketing exogenous change identified for the trunking basket, $138,295 was targeted to the TIC.

Aliant agrees with the Commission's tentative conclusion that using the July 1, 1997 TIC to allocate costs could skew the amount ascribed to the facilities-based TIC. In the 1997 Annual Access Charge Tariff filing, LECs were ordered to estimate the amount of revenues that were expected to be reallocated to other elements, of which, the marketing expense amount would have been a part. Therefore, when calculating the actual marketing expense allocation, it would be more accurate to use the June 30, 1997 TIC amount, since that was the basis of the estimate in the annual filing.

3. Whether the Price Cap LECs Properly Estimated the Impact on the TIC arising from the Use of Actual MOU Rather Than Assumed 9000 MOU

Aliant agrees that price cap carriers should not recalculate their tandem-switched transport rates pursuant to Section 69.111(c) of the Commission's Rules.[6]

Aliant calculated a tandem switched transport exogenous adjustment as instructed by the Commission using 1993 data and actual minutes of use. The actual average minutes of use per circuit were based on a sixty-day traffic study, which included all minutes of use from each trunk group connecting a host switch to the tandem switch and actual count of engineered trunk groups connecting a host switch to the tandem switch.[7] Aliant agrees with the methodology used in calculating the tandem-switched transport exogenous adjustment. Aliant believes this method more accurately calculates the exogenous change needed to reflect the actual minutes of use versus the 9000 minutes of use method.

Aliant believes that the price cap LECs should be permitted to increase the TIC. There is nothing in the Access Reform Order that expressly prohibits a decrease in common transport revenue, caused by this common transport exogenous change, to be used to increase the TIC. The result of the Commission's methodology implies that customers purchasing common transport have subsidized customers purchasing direct transport in the past.

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6 47 C.F.R. § 69.111 (c).

7 *See* Exhibit 9.

Aliant believes that using the Commission's methodology of the multiplexer costs on the end office and serving wire center side are irrelevant in the computation of the tandem-switch transport rate.

4. Whether the Price Cap LECs Correctly Recalculated the Residual and Facilities-based TIC amounts

Aliant agrees with the Commission's statement that LECs that still have a non-facilities residual TIC could not have overtargeted the July 1997 X-factor reduction to the TIC. However, Aliant disagrees with the Commission's decision to require price cap LECs that no longer have a non-facilities residual TIC to recalculate the removal of TIC costs and the facilities-based portion of the TIC using the worksheet provided by AT&T.

D. Recovery of New Universal Support Obligations

Aliant's USF contribution was calculated using the factors from the Bureau's November 13, 1997 Public Notice,[8] and revenues Aliant provided on the Universal Service Worksheet (FCC Form 457). The USF contribution was allocated to each basket based on the 1996 base period revenues. The charges assessed on services in the common line basket are recovered through the SLC from the end-users. In the Interexchange basket, charges are recovered through per-minute toll charges to the end-users. In the Trunking basket, charges are recovered through special access service. Aliant's methodology used the total special access revenues to allocate the USF contribution to the trunking basket. For all subsequent USF contribution allocations, Aliant will use only the end-user portion of the special access revenues. Aliant will adjust the 1st quarter 1998 USF contribution allocation accordingly, corresponding with an Order in this proceeding.

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[8] *Public Notice*, DA 97-2392 (November 13, 1997).

Aliant believes the above method more accurately reflects the distribution of interstate end-user revenues across the baskets. The revenues on Form 457 have included *all* revenues, whether in price caps or not. Therefore, the allocation factors would be skewed depending on the magnitude of the revenues not in price caps. Form 457 also uses a different time period than the price cap filing and, therefore, skews the allocation factors.

Aliant calculated interstate end-user revenues derived from each basket during the accounting period used to calculate the USF Contribution.[9] These revenues come from Aliant's company records and consist of booked dollars derived from the price cap baskets for end-users for the period of January 1997 through June 1997, the same period used to file Form 457.

The difference in the allocation of the USF contributions between what Aliant reported in its Access Reform filing[10] and the Commission's method[11] exist mainly due to the different time periods used in each method. Aliant used base period revenues, which consist of 1996 demand times the rates at June 30, 1997. On the other hand, the Commission's method consists of the 1997 demand billed from January 1997 to June 1997 and the rates that were applicable within that time period. In some instances, the demand is growing from 1996 to 1997, and the rates remain constant causing an increase in revenues, as in the Trunking basket. Therefore, the proportion allocated to the Trunking basket is greater using the Commission's method because of an additional 6 months of demand growth. In other instances, the demand is growing but the rates are decreasing more rapidly, causing a decrease in revenues, as in the Common Line basket. Thus, the Commission's

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9 *See* Exhibit 10.

10 *See* Exhibit 11.

11 *See* Exhibit 10.

method results in a lower allocation to the Common Line basket due to the decrease in rates. As a result, the time period and source of end-user revenues cause significant differences in the allocation factors.

As discussed above, the allocation will differ with the methodology used. Therefore, all price cap LECs should be required to use the same method.

Aliant urges the Commission to adopt the suggestions contained herein.

Respectfully submitted,

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February 27, 1998

Aliant Communications Co.
1998 Access Charge Reform Direct Case

Exhibit 1

APPENDIX B WORKSHEET

I. Line Count Data Formation Identification
Data

II. Line Count Data
Criteria

	Sources	Search	Collection	Time Period		First	Second	Third	Fourth
Primary Residential Lines	D2	S2	C1	T0[1]		A3	L2	R2	
Single Line Business	D2	S1	C1	T0		N3			
Non-Primary Residential Lines	D2	S1	C1	T0		B1	L2	R2	
BRI ISDN Lines	N/A					N/A			

[1] A "snapshot" report is run the last Saturday of every month. The totals for the 12-month base demand period are then added together to determine annual demand counts.

Aliant Communications Co.
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Exhibit 2

IMPLEMENTATION OF DEFINITION

Customer	Billing/ Account No.	Line Location	Phone Numbers	Installation Date (Order)	Service/Inv. Work Order No.	Billing Address	P/NP Decision
N. Adams	555-1111 6789	123 Elm #1	555-1111 555-1112	1/1/96 (1) 1/1/96 (2)	6789-1111 6789-1112	P.O. Box 123	P N
P. Adams	555-2222 6789	123 Elm #1	555-2221 555-2222	5/5/96 4/5/96	6789-2221 6789-2222	P.O. Box 123	N P
P. Adams	555-3333 4567	123 Elm #2	555-3333	3/3/96	4567-3333	P.O. Box 123	P
P. Boyd-Adams	555-4444 5678	123 Elm #2	555-4444 555-4448	4/5/96 7/5/96	5678-4444 5678-4448	P.O. Box 123	P N
P. Boyd-Adams	555-4447 5678	123 Elm #2	555-4447	5/5/96	5678-4447	P.O. Box 123	P

ant Communications Co.
98 Access Charge Reform Direct Case

Exhibit 3

Exogenous Reallocations - Revenue vs Revenue Requirement

n #	Description	Basis of Change	Exog Changes made 01/01/1998 A	Total RRQ B	% C = A / B	7/1/97 R value D	Exogenous Adjustment based on Revenues E = C * D	Difference F = A - E
	Elimination of AT from TIC							
1	Trunking Basket	Revenues	731,413				731,413	0
	Marketing Expense							
2	Common Line	RRQ	(481,782)	14,119,878	-3.41%	11,600,306	(395,812)	85,970
3	Traffic Sensitive	RRQ	(207,072)	6,473,135	-3.20%	9,825,042	(314,298)	(107,226)
4	Trunking (Transport Only)	RRQ	(239,572)	7,771,351	-3.08%	8,074,053	(248,904)	(9,332)
	Line Ports							
5	Traffic Sensitive	RRQ	(2,799,420)	6,473,135	-43.25%	9,825,042	4,249,011	7,048,431
	End Office Trunk Port Costs							
6	Traffic Sensitive	RRQ	(118,455)	6,473,135	-1.83%	9,825,042	(179,793)	(61,338)
	STP Ports Termination							
7	Trunking	Revenues	(18,226)				(18,226)	0
	Tandem Trunk Port Costs							
8	Traffic Sensitive	RRQ	(199,216)	10,897,777	-1.83%	11,899,963	(217,536)	(18,320)
	STP & SS7 Link Costs							
9	Trunking	RRQ	(25,032)	7,771,351	-0.32%	8,074,053	(26,007)	(975)
	COE Maintenance							
10	Common Line	RRQ	(109,497)	14,119,878	-0.78%	11,600,306	(89,958)	19,539
11	Traffic Sensitive	RRQ	520,563	6,473,135	8.04%	9,825,042	790,120	269,557
12	Trunking	RRQ	(373,556)	10,897,777	-3.43%	11,899,963	(407,909)	(34,353)
	Host/Remote							
13	Trunking	RRQ	1,604,260	7,771,351	20.64%	8,074,053	1,666,748	62,488
	Zone Differential							
14	Trunking	Revenues	312,451				312,451	0
	Common Mux & TST Reinitialized							
15	Trunking	Revenues	1,062,093				1,062,093	0
	GSF Allocation							
16	Common Line	RRQ	(217,040)	14,119,878	-1.54%	11,600,306	(178,311)	38,729
		RRQ	(86,001)	6,473,135	-1.33%	9,825,042	(130,534)	(44,533)
			(153,237)	10,897,777	-1.41%	11,899,963	(167,329)	(14,092)

Aliant Communications Co.
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	Tariff Description	Date	Exogenous Change	Methodology
1.	1993 Annual Access Tariff Filing Transmittal No. 72	06/17/93	General Support Facilities	Revenue Requirement
2.	Payphone Tariff Filing Transmittal No. 2	12/06/96	Other - Revenue Effects	Revenue
3.	1997 Annual Access Charge Tariff Filing Transmittal No. 5	06/16/97	Other Billing and Collections	Revenue Requirement
4.	1998 Access Charge Reform Tariff Filing Transmittal No. 10	12/17/97	Elimination of AT from TIC	Revenue
			Marketing	Revenue Requirement
			Line Ports	Revenue Requirement
			End Office Trunk Port Costs	Revenue Requirement
			STP Ports Termination	Revenue
			Tandem Trunk Port Costs	Revenue Requirement
			STP & SS7 Link Costs	Revenue Requirement
			COE Maintenance	Revenue Requirement
			Host/Remote	Revenue Requirement
			Zone Differential	Revenue
			Common Mux & TST Reinitialized	Revenue
			FCC Orders GSF Allocation	Revenue Requirement

Aliant Communications Co.
1998 Access Charge Direct Case

REALLOCATION OF COE MAINTENANCE EXPENSES
1ST QUARTER 1996

			Transport					
		Interstate	Tandem	Other	Special Access	Common Line	Traffic Sensitive	IX Non-Price Cap
	(a)	(b)	('c)	(d)	(h)	(e)	(f)	(g)
	INVESTMENT							
1	COE, Cat. 1	450,781					106,867	343,914
2	Allocation of Line 1	1.000000	0.000000	0.000000	0.000000	0.000000	0.237071	0.762929
3	COE, Cat. 2	6,632,837	6,449,081					183,756
4	COE, Cat. 3	19,296,488					19,296,488	
5	Total Switching	25,929,325	6,449,081	0	0	0	19,296,488	183,756
6	Allocation of Line 5	1.000000	0.248718	0.000000	0.000000	0.000000	0.744196	0.007087
7	COE, Cat. 4	19,023,307		10,766,936	4,855,300	2,909,755		491,316
8	Allocation of Line 7	1.000000	0.000000	0.565987	0.255229	0.152957	0.000000	0.025827
9	Total COE	45,403,413	6,449,081	10,766,936	4,855,300	2,909,755	19,403,355	1,018,986
10	Allocation of Line 9	1.000000	0.142040	0.237139	0.106937	0.064087	0.427355	0.022443

REALLOCATION OF COE MAINTENANCE EXPENSES
1ST QUARTER 1996

			Transport		Special	Common	Traffic	IX
		Interstate	Tandem	Other	Access	Line	Sensitive	Non-Price Cap
	(a)	(b)	('c)	(d)	(h)	(e)	(f)	(g)
	EXPENSES							
11	Total COE Expense Allocated on Line 10	806,416	114,543	191,233	86,235	51,681	344,626	18,098
12	Operator Systems Expense Allocated on Line 2	0						
13	Switching Expense Allocated on Line 6	627,276	156,014				466,816	4,446
14	Transmission Expense Allocated on Line 8	179,140		101,391	45,721	27,401		4,627
15	Total COE Expense Lines 12 + 13 + 14	806,416	156,014	101,391	45,721	27,401	466,816	9,073
16	COE Expense (new rules)	806,416	156,014	101,391	45,721	27,401	466,816	9,073
17	COE Expense (old rules)	806,416	114,543	191,233	86,235	51,681	344,626	18,098
18	Difference	0	41,471	(89,842)	(40,514)	(24,280)	122,190	(9,025)

COE Maintenance Expense Exogenous Change
Revenue Requirements
(@ 11.25% Rate of Return)

	Revised Studies (a)	Common Line (Pay Only) (b)	Common Line (BFP Only) (c)	Traffic Sensitive (d)	Trunking (less 80% Tandem) (e)	Trunking (80% Tandem) (f)	Billing $ Collection (g)	Interexchange (i)	Total Interstate (j)
1	1Q96	88,299	3,531,406	1,992,789	2,203,562	489,799	541,921	390,461	9,238,237
2	2Q96	84,934	3,501,671	1,802,418	2,191,356	481,264	493,942	392,053	8,947,638
3	3Q96	110,079	3,472,844	1,776,086	2,077,206	508,941	614,090	400,904	8,960,150
4	4Q96	94,100	3,504,460	1,904,478	2,111,853	460,243	568,262	388,320	9,031,716
5	Total	377,412	14,010,381	7,475,771	8,583,977	1,940,247	2,218,215	1,571,738	36,177,741
	Actual Studies								
6	1Q96	88,299	3,564,097	1,828,270	2,367,910	445,129	541,921	402,611	9,238,237
7	2Q96	84,934	3,523,671	1,694,304	2,291,726	458,141	493,942	400,920	8,947,638
8	3Q96	110,079	3,492,846	1,681,647	2,219,475	433,470	614,090	408,543	8,960,150
9	4Q96	94,100	3,539,264	1,750,987	2,262,708	419,218	568,262	397,177	9,031,716
10	Total	377,412	14,119,878	6,955,208	9,141,819	1,755,958	2,218,215	1,609,251	36,177,741
	Change								
11	1Q96	0	(32,691)	164,519	(164,348)	44,670	0	(12,150)	(0)
12	2Q96	0	(22,000)	108,114	(100,370)	23,123	0	(8,867)	(0)
13	3Q96	0	(20,002)	94,439	(142,268)	75,470	0	(7,639)	(0)
14	4Q96	0	(34,804)	153,491	(150,856)	41,026	0	(8,857)	(0)
15	Total	0	(109,497)	520,563	(557,843)	184,290	0	(37,513)	(0)

Marketing Expense Exogenous Change
Revenue Requirements
(@ 11.25% Rate of Return)

	Revised Studies (a)	Common Line (Pay Only) (b)	Common Line (BFP Only) (c)	Traffic Sensitive (d)	Trunking (e)	Billing $ Collection (f)	Interexchange (g)	Marketing (h)	Total Interstate (i)
1	1Q96	87,142	3,457,710	1,782,964	2,759,980	541,921	402,610	205,909	9,238,236
2	2Q96	83,693	3,408,549	1,645,432	2,689,807	493,942	400,920	225,297	8,947,640
3	3Q96	109,084	3,399,844	1,642,207	2,606,279	614,090	408,543	180,101	8,960,148
4	4Q96	92,326	3,371,993	1,680,533	2,602,139	568,262	397,177	319,286	9,031,716
5	Total	372,245	13,638,096	6,751,136	10,658,205	2,218,215	1,609,250	930,593	36,177,740
	Actual Studies								
6	1Q96	88,299	3,564,097	1,828,270	2,813,039	541,921	402,610	0	9,238,236
7	2Q96	84,936	3,523,671	1,694,304	2,749,867	493,942	400,920	0	8,947,640
8	3Q96	110,077	3,492,846	1,681,647	2,652,945	614,090	408,543	0	8,960,148
9	4Q96	94,100	3,539,264	1,750,987	2,681,926	568,262	397,177	0	9,031,716
10	Total	377,412	14,119,878	6,955,208	10,897,777	2,218,215	1,609,250	0	36,177,740
	Change								
11	1Q96	(1,157)	(106,387)	(45,306)	(53,059)	0	0	205,909	0
12	2Q96	(1,243)	(115,122)	(48,872)	(60,060)	0	0	225,297	0
13	3Q96	(993)	(93,002)	(39,440)	(46,666)	0	0	180,101	0
14	4Q96	(1,774)	(167,271)	(70,454)	(79,787)	0	0	319,286	0
15	Total	(5,167)	(481,782)	(204,072)	(239,572)	0	0	930,593	0
16	Less Common Line, Payphone Change							(5,167)	
17	Marketing Exogenous Change							925,426	

ALLOCATION OF MARKETING EXPENSES IN THE TRUNKING BASKET

	Switched Revenue - Trunking Basket		Current Revenue A	Revenue Ratio B=A/Ln 14A	Exogenous Allocation C=B*EXG-MRKT, Ln 15e
1	Transport Interconnection Charge	Records	$3,648,938	57.7257%	($138,295)
2	Tandem Switched Transport Zone 1	Records	$232,084	3.6715%	($8,796)
3	Tandem Switched Transport Zone 2	Records	$171,129	2.7072%	($6,486)
4	Tandem Switched Transport Zone 3	Records	$1,444,984	22.8594%	($54,765)
5	Direct Trunk Transport - VG Zone 1	Records	$0	0.0000%	$0
6	Direct Trunk Transport - VG Zone 2	Records	$0	0.0000%	$0
7	Direct Trunk Transport - VG Zone 3	Records	$14,322	0.2266%	($543)
8	High Capacity DS1 Zone 1	Records	$187,989	2.9740%	($7,125)
9	High Capacity DS1 Zone 2	Records	$116,734	1.8467%	($4,424)
10	High Capacity DS1 Zone 3	Records	$409,593	6.4797%	($15,524)
11	High Capacity DS3 Zone 1	Records	$95,396	1.5092%	($3,616)
12	High Capacity DS3 Zone 2	Records	$0	0.0000%	$0
13	High Capacity DS3 Zone 3	Records	0	0.0000%	$0
14	Total Switched Revenue - Trunking Basket	Sum (Ln 1 .. Ln 13)	$6,321,169	100.0000%	($239,572)

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Exhibit 9

Tandem Switched Transport Exogenous Worksheet

Ln#	Description	Source	
	Tandem Switched Transport Termination		
1	Current Direct Trunked Transport Rate	Records	$ 121.28
2	Two Transport Terminations per Circuit		2
3	Direct Trunked Transport Termination Cost per Circuit	Ln 1 * Ln 2	$ 242.56
4	Equiv. MOU per VG Equivalent	Records	256,019
5	Equiv. Tandem Switched Termination MOU Rate	Ln 3 / Ln 4	$0.00094743
6	1993 Tandem Switched Termination Rate	Records	$0.00112300
7	Difference in Rates	Ln 5 - Ln 6	$ (0.00017557)
8	1993 Base Period Tandem Switched Transport Termination MOU	Records	540,439,072
9	Total TST Revenue Difference	Ln 7 * Ln 8	($94,885)
	Tandem Switched Transport Facility		
10	Current Direct Trunked Transport Facility Rate	Records	$ 16.64
11	Equiv. MOU per VG Equivalent	Records	256,019
12	Equiv. Tandem Switched Facility Rate	Ln 10 / Ln 11	$ 0.00006500
13	1993 Tandem Switched Facility Rate	Records	$0.00007700
14	Difference	Ln 12 - Ln 13	$ (0.00001200)
15	1993 Base Period Tandem Switched Transport Facility Minute Miles	Records	13,604,949,388
16	Total TSF Revenue Difference	Ln 14 * Ln 15	($163,325)
17	Tandem Switched Transport Exogenous Adjustment	Ln 9 + Ln 16	($258,210)
			% of change
18	Total Original TIC Revenue	Records	$ 4,651,205
19	Percent Difference	Ln 17 / Ln 18	-5.5515%
20	June 30, 1997 TIC Revenue	Records	$ 5,451,536
21	Tandem Switched Transport Exogenous Adjustment	Ln 19 * Ln 20	$ (302,640)

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January - June 1997 Interstate End User Revenues

Ln #	Basket	Source	End-User Revenues	
1	Common Line Basket	Records	$5,437,992	98.159%
2	Trunking Basket			
3	Voice Grade	Records	$4,812	0.087%
4	Program Audio & Video	Records	$4,519	0.082%
5	High Capacity & DDS	Records	$76,631	1.383%
6	Total Trunking	Records	$85,962	1.552%
7	IX Basket	Records	$16,005	0.289%
8	Total	Records	$5,539,959	100.000%

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Exhibit 11

	Allocation of USF Contribution to Price Cap SBIs		1996 Base Period Revenues	Allocation Factor
1	Common Line Basket	Records	$11,985,923	75.042%
2	Trunking Basket			
3	Voice Grade	Records	$782,758	4.901%
4	Program Audio & Video	Records	$11,960	0.075%
5	High Capacity & DDS	Records	$3,162,378	19.799%
6	Total Trunking	Sum(Ln 1..Ln 5)	$3,957,096	24.775%
7	IX Basket	Records	$29,174	0.183%
8	Total	Ln 1 + Ln 6 + Ln 7	$15,972,193	100.000%